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**GENERAL**

1. Schuman favors French-German defense agreement--At the close of the North Atlantic Council discussions in New York, French Foreign Minister Schuman remarked that "he was thinking" of personally taking the initiative regarding German participation in a North Atlantic defense force. Schuman added that he realized the importance of France "not being dragged along"; he mentioned as a device to bring about some sort of French-German agreement, the possibility of a common French-German defense budget that the other Western European governments might join.
2. Kirk's views on Chou En-lai statement--US Ambassador Kirk in Moscow, in evaluating the significance of Chinese Foreign Minister Chou En-lai's statement to the Indian Ambassador in Peiping that Chinese troops will intervene in North Korea if UN troops cross the 38th Parallel, expresses surprise that a message of such serious nature was not conveyed more directly either to the UN or the US. Kirk reports that the British Embassy in Moscow concurs with the US Embassy "speculation" that Chou En-lai's statement may be a last-minute Chinese attempt to play upon Indian apprehension in order to retain for China and the USSR whatever can yet be salvaged from the Korean situation.

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STATE review(s) completed.

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EUROPE

4. AUSTRIA: Communists may shift to economic issues--  
According to US Charge Dowling in Vienna, the most important factors in the recent strikes and demonstrations in Vienna and eastern Austria were: (a) the overtness of Soviet instigation and assistance; and (b) the ineffectiveness of the Austrian police. Dowling reports that Austrian Government leaders are now thoroughly alarmed by the situation and determined to prevent a recurrence of the outbreaks. Dowling thinks the Austrian Communist Party may have decided to concentrate on economic issues; he suggests that the USSR may have decided that it can, with impunity, openly aid the Austrian Communist Party in exploiting economic issues, despite the obvious violation of the Allied Control Agreement. Dowling expresses the view that, if the USSR has decided upon such a course, "grave difficulties" can be created by imposing a severe strain on the Austrian Government and economy.

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